

# WASHINGTON STATE GAMBLING COMMISSION

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## MINUTES COMMISSION MEETING THURSDAY, MARCH 9, 1995

Chairman Tull called the meeting to order at 1:35 p.m. at the Sheraton Hotel, Tacoma, Washington.

**MEMBERS PRESENT:**                    **ROBERT M. TULL, Chairman; WANDA MOSBARGER, Vice Chair (via speaker phone); PATRICK GRAHAM; and EDWARD HEAVEY.**

**OTHERS PRESENT:**                    **FRANK L. MILLER, Director; BEN BISHOP, Deputy Director; CARRIE SUTHERLAND, Special Assistant, Public Affairs; SHARON TOLTON, Assistant Director, Special Operations; SHERRI WINSLOW, Assistant Director, Field Operations; JONATHAN McCOY, Assistant Attorney General; TINA GRIFFIN, Investigative Audit Unit; PATTI NORMAN-COLE, Rules Coordinator; and SUSAN GREEN, Executive Assistant.**

**Chairman Tull** said there will be no action taken on any licensing matter until Commissioner Heavey arrives. Reports that need no action will be heard first.

### **REVIEW OF FRIDAY'S AGENDA**

**Ms. Sutherland** said there is a change on the agenda; one of the default hearings (Matthew Moore CR 94-1123) has been cancelled. Tomorrow there is a special review of CAYA, which was requested by the Commissioners. There are a total of 25 rules up for final action on the agenda; three have to do with the treasurer's petition; however, there will be another rule accompanying the petition, which is on the addendum, and deals with the agency being reimbursed for costs. There are six rules up for final action having to do with the licensing of gambling managers, there are nine rules up for final action having to do with commercial stimulant rules pursuant to the legislative change last year and there are six rules up for final action having to do with raffles and changes to raffle procedures. One housekeeping change is up for final action tomorrow. For discussion, there are some housekeeping changes and the Recreational Gaming Association's petition that was filed as an emergency at the last Commission meeting. For possible filing there are a number of housekeeping changes that are simply typographical errors. There are also three rules on the licensing of manufacturers or issuing of sales permits. There are addendums to the agenda; one is a cost rule relating to the taxing authorities petition and one is an amendment to a raffle rule, which is item 6(b). There is also a rule prepared by staff for emergency regarding setting forth the process for going from Phase I to Phase II as described in the tribal-state compacts. **Director Miller** said staff is requesting a new section of the WAC rules manual for tribal gaming regulation. He said this is a sound way to go through the procedural requirements, and will result in a Class III section in the WAC Rule Manual. Staff is starting the review process with the tribes and it is possible there could be some proposals next month. The other emergency rule deals with licensing of manufacturers. This rule would require a permit for some types of manufacturing, which would

make a much less difficult process than having to obtain a manufacturing license.

**Chairman Tull** announced that copies of the addenda proposed rules would be available tomorrow for anyone who would like a copy.

## **STAFF REPORTS**

### **TRIBAL GAMING IMPLEMENTATION**

**Ms. Tolton** gave an update on the tribal casino openings. Currently, there are four casinos open; Jamestown is the most recent and opened in February. All four casinos are at Phase I as far as scope. Chehalis and the Muckleshoot Tribes anticipate they will open their facilities around May 1, 1995. Following that, Upper Skagit and Squaxin Island are projecting opening around November 1, 1995.

### **TRIBAL GAMING INITIATIVE**

**Director Miller** said that three Indian tribes have filed an initiative. This initiative as filed reduces the 55 page compacts down to six pages. It would allow these tribes to have unlimited casino gambling; no limit on number or size of facilities, wagering limits, types of games, or credit. He said it is of great concern that this action would make the state of Washington the third largest gambling state in the nation with little to no state involvement in the regulation. In addition to having no limits, it also takes the state of Washington out of regulation completely. There are statements in the initiative that the state would have a role to do backgrounds but it's a very minor role; there is no veto authority, the Gambling Commission or whoever the Governor designates would have to give 12 hours notice to go to any place that isn't open to the public. It also requires a 48 hour notice to copy any document. In reality, what this would be is wide open, unregulated gaming. What makes this a unique proposal is the fact that in exchange for voting in this next general session, there would be a rebate from the slot machine revenues back to the voters. It is an initiative, which means they have to collect 220,000 for it to go on the ballot. The staff has been receiving quite a few calls.

**Commissioner Graham** asked about the Puyallup request that their operation be grandfathered. **Director Miller** said that issue is presently before the National Indian Gaming Commission and that no decision is a good decision at this point. **Commissioner Graham** asked about the suit presently in federal court on the slot machines being operated in the state.

**Director Miller** responded that the first suit in Spokane is a result of an injunction and is stayed pending the appeal to the ninth circuit. The Rumsey case decision said that states only negotiate those activities that are authorized in that state, and there is a motion for reconsideration that is still pending. If that is upheld and the Court does not change its position, hopefully, there will be some action in Eastern Washington. There is one other lawsuit, the 11th Amendment case that the Supreme Court has decided to take in which the Spokane Tribe is alleging the state has negotiated in bad faith. The defense is that the state of Washington is a sovereign nation and therefore cannot be sued absent consent to suit. A decision should be made in early 1996.

**Director Miller** said tentative agreements have been reached with three additional tribes: the Nisqually Tribe, the Skokomish Tribe and the Hoh Tribe. Amendments have been reached with the Muckleshoot and Lower Elwha tribes. There may be a need for a special meeting of the Gambling Commission in late April or early May. The Nisqually meeting could be held in Olympia, but the Hoh Tribe is located in Forks. The Quileute Tribe apparently has resubmitted their compact and the Secretary of the Interior, which has approved the Compact. The Quileutes are now asking for an amendment like the other tribes. This would bring the total to 15 compacts. **Chairman Tull** asked what kind of local support had been received in the Forks

area. **Director Miller** said there will be a local caucus meeting soon. There were some discussions early on with the Lower Elwha when those compacts came forward. The only concern regarding the Hoh compact so far was the community contribution aspect; to make sure that the proper portion was given to the city.

### **LEGISLATIVE UPDATE**

**Director Miller** said there were quite a few bills relating to gambling that were introduced into the Legislature this year. The ones remaining include HB 1447, which would reduce taxes for those licensed gambling establishments that are within 50 miles of a tribal casino. It is still in the House; the companion bill in the Senate has died. HB 1562, relating to fund raising events, is sponsored by the private clubs of this state and proposed by Commissioner Graham, did pass the House yesterday. The bill, which would amend the law to allow for four events per year, make up to \$30,000, and have five paid helpers. The raffle bill would raise the maximum price of raffle tickets to \$25. There is some thought of adding a provision to give the Commission the authority to go beyond that. An example would be if an organization wanted to raffle off a house, they could sell fewer tickets at \$100 each and the Commission would have the ability to come forward and make the decision as to whether the organization could do this. It appears to have some good support. The charitable tax bill that was discussed at the last meeting died.

**Director Miller** said there was a lot of input received regarding Chairman Tull's letter to the Legislature on the taxing issue.

### **CARD ROOM HOURS**

**Ms. Bishop** said there are a total of 113 licensed card rooms in the state and 30 have requested the alternative hours so far. He said staff mailed a letter to local law enforcement requesting comments within 10 days; only two comments have been received. San Juan County Sheriff's Office objected, as did Kennewick's Chief of Police, who is opposed to any increase that would go toward funding gambling enterprises. Kennewick is very opposed to any increase in gambling. Tomorrow is the deadline for the ten-day comment period. Other areas that will be taken in account prior to final approval will be Commission staff recommendations as far as any cases pending and compliance problems that are on-going as well as input from any other state or local agency. He said four of the groups that requested staying open the new hours have not turned in their last quarterly activity reports.

**Chairman Tull** called for a recess in order to give more time for Commissioner Heavey to arrive or to hook up a speaker phone for Commissioner Mosbarger.

\*\*\*\*\* R E C E S S \*\*\*\*\*

**Chairman Tull** said that Commissioner Mosbarger is in attendance via speaker phone now.

### **LICENSE APPROVALS**

#### **NEW LICENSES, CHANGES, WITHDRAWALS, and TRIBAL CERTIFICATIONS**

**Commissioner Tull** moved for approval of the list as printed; **Commissioner Graham** seconded the motion; motion carried with three aye votes..

#### **PRE-LICENSING/CERTIFICATION SUMMARIES**

##### **THE BUD JONES COMPANY, INC., CLASS III SUPPLIER**

**Ms. Fischer** said the company is located in Las Vegas, Nevada, and was started in 1965 by Bud Jones and his wife, Carolyn. It has been a family-owned and operated business since that

time. It is currently owned by Bud Jones and his daughter, Kathleen Steel. The company manufactures casino dice, chips, and roulette wheels, and sells other items that are available through the company's catalog. It holds licenses in Connecticut, Illinois, Iowa, Louisiana, Mississippi and New Jersey. Tribal licenses are also held in Arizona, Louisiana and North Dakota. Personal background investigations were completed on the company's officers and their spouses. Based on the investigation by Special Agent Tim McGuire, staff recommends certification of the Bud Jones Company as a distributor of gaming equipment in Washington State.

**Chairman Tull** moved for certification; **Commissioner Mosbarger** seconded the motion, motion carried with three aye votes.

#### **SHANAYON INDUSTRIES, INC., MANUFACTURER**

**Ms. Fischer** said the company is located in Norwalk, California, and was started in 1980 by its owner, Christopher Nipp. The company manufactures roulette and Big-6 wheels primarily for sale to Paul-Son Card and Dice Company in Las Vegas, Nevada. The company is licensed in Iowa and Nevada, and checks with these regulatory agencies revealed no derogatory information. A complete personal background investigation was conducted on Mr. Nipp. Agent Elmer Holland conducted an investigation and, based on his investigation, staff recommends certification as a manufacturer of gaming equipment. **Chairman Tull** moved for approval; **Commissioner Mosbarger** seconded the motion; motion carried with three aye votes.

#### **HEARINGS**

**Ms. Sutherland** said Matthew Moore's case has been withdrawn.

**Wallingbull III, George**, Marysville  
CR 94-1104; Class III Tribal Employee

Chairman Tull moved that the Commission approve the staff's recommendation for denial of the application of certification with his ability to reapply after August of 1995. **Ms. Sutherland** stated that, as of August of 1995, Mr. Wallingbull's probation will have been served.

**Commissioner Mosbarger** seconded the motion. Motion carried with three aye votes.

#### **QUALIFICATION REVIEWS**

##### **BIG BROTHERS/BIG SISTERS OF TACOMA, Tacoma**

**Ms. Patti Norman-Cole** introduced Ms. Sylvia Anderson, Executive Director of Big Brothers and Big Sisters of Tacoma, who made a presentation.

**Ms. Anderson** brought some of the board members with her. In the last year there have been changes in executive directorship, the bingo manager and the snack bar manager due to people moving on. They have experienced a decline in the bingo revenue because they are about five minutes away from the Bingo Palace (Puyallup Tribe); however, they have seen an increase in their fund raising. At the time of their last review, they had four employees making over \$30,000. They have decreased their staff and currently have two employees in that category. Staff has been reduced by one in the program and 1 1/2 administratively. More matches have been served this year even with the decrease in staff than has been served in the last five

years. They have recently hired a fund raiser in the hopes of off-setting the decline in bingo revenues. She also addressed that they are showing a deficit in the snack bar revenue. They hope that will change with the new manager; if not, they will look into leasing the snack bar to curtail any losses.

((Commissioner Heavey arrived at this time))

**Ms. Anderson** introduced a board member who was a big brother for eight years. **Rob Ogburn** said his little brother recently graduated from high school, got his first job and is taking electronics through a Voc-tech school. He said he enjoyed what he got out of the match and hopes that his little brother got something positive from the match, too. He said he's only been on the Board a short time but feels that it is a very good program for both children and adults.

**Ms. Anderson** introduced Board President Jim Matthies, public relations officer for the Tacoma Police Department; Treasurer Ed Loughrey, with the Tacoma Police Department and an attorney; Marsha Longs, an insurance agent; Denise Newman, Vice President of U.S. Bank; Dan Foley, with Key Bank Insurance; Rob Ogborn, an operations supervisor; and Jim Self, with Seattle Health Department.

**Chairman Tull** said it is fascinating to see the variety of people who are on the boards of these organizations.

**Ms. Norman-Cole** said Big Brothers/Big Sisters is licensed for a class "K" bingo, class "K" punchboard and pull tabs, and class "A" amusement games. The organization served 395 clients last year; contributions total \$6,951, and staff recommends qualification as a charitable organization.

**Commissioner Heavey** apologized for being late. He said he recently spoke with Senator Wojohn regarding Big Brothers and Sisters and the impact of Indian gaming on the bingo operation. She had indicated to him there had been a substantial decline of income with the advent of the compacts with the tribes and their gaming activities. He asked whether this is accurate and, if so, to what extent.

**Director Miller** noted the handout packet included a section on tribal bingo in the Pierce County region. He said the Puyallup Tribe has had three to four operations in the area. In 1992, they opened their Bingo Palace. Gross receipts for Big Brothers and Big Sisters of Tacoma were \$3.2 million in 1992, \$3.4 million in 1993, and \$3.2 in 1994. It's gone down roughly eight percent overall in sales, so their claim could be legitimate. For all of Pierce County, the situation is similar. There has been a slight decrease in overall gross revenues.

**Commissioner Heavey** asked the organization what effect, if any, this has had on the groups' activities. **Ms. Anderson** said 1.5 administrative staff and one program staff have been eliminated. Overhead is primarily for staff to oversee matches. If bingo revenues continue to decline, they will be focusing on another activity, like the Bowl-A-Thon, to raise funds. **Mr. Bishop** said it is important to note that tribal bingo is a Class II activity and the Commission could not have done anything to avoid this problem. **Commissioner Heavey** asked if the IGRA covers any Class II gaming; **Director Miller** said that IGRA addresses Class II gaming, which is under the regulatory authority of the tribe and federal government only, with no state involvement. **Ms. Norman-Cole** reminded the Commission that the recommendation was to approve this group as a charitable organization.

**Chairman Tull** said the opportunity to speak to the board members helps the Commission get across the importance of the burden placed on board members to pay attention and recognize they are playing with fire when they undertake gambling, which must be kept under control. He said it is extremely important to keep on top of what is going on in the gambling operation because someday they will have to answer questions about the operation. He said that in the several years of Commission reviews, it has been a good reminder of the wonderful work of these organizations that benefit from gambling, which makes it even more worthwhile.

**Commissioner Graham** moved for qualification; **Commissioner Mosbarger** seconded the motion; motion carried with four aye votes.

#### **PROGRAM REVIEW:**

##### **SEATTLE SKATING CLUB, Seattle**

**Ms. Norman-Cole** said the next review is the Seattle Skating Club and **Special Agent Rick Swanson** will give the presentation. **Ms. Winslow** said this was a program review, which is slightly different than a formal review. Staff actually went to the organization and interviewed members.

**Mr. Swanson**, Special Agent working out of the Lynnwood office, said this is an athletic organization with a Class "M " bingo license, a Class "O " punchboard/pull tab license, and licenses for amusement games and raffles. They were first formed in 1937 and have been licensed since 1974. They are overseen by a board of 4 officers and 6 trustees. The voting membership consists primarily of the parents and children who skate with the Club. The primary purpose of this organization is to provide opportunities for skaters to participate in the sport of amateur figure skating. This is accomplished by buying ice time at the Olympic View Ice Arena, and then charging the members only a minimal fee to skate, and by reimbursing some of the costs incurred during a competition. They sponsor ice shows for their skaters, an awards banquet, and provide three scholarships yearly. One area reviewed was the independent management control structure to verify compliance with WAC 230-12-078. The review also ensured that gambling activities are closely supervised, that gambling proceeds are used solely to advance the purpose of the organization, that all assets are protected from mis-use and that the Board of Directors policies are implemented. One concern noted is that there was no real oversight of the bingo manager or operation by the Board. This was caused when the organization eliminated the position of executive director at the end of 1993. They have since created a finance committee and are working on developing procedures. Another area of concern was the organization reimbursing skaters for competition expenses. Although the organization has limited assurance that costs were actually incurred, no documentation was maintained. Commission staff has worked with the organization and they will submit a plan to ensure that proper documentation is kept in the future. Seattle Skating Club currently has two employees making over \$30,000. One is Carla Stanford, who is the primary bingo manager. Since she was hired in 1992 she has made their bingo hall one of the most profitable in the state. The second person is Bernard Ford, who is their training director. He is a five-time world champion ice dancer hired last October to help develop a strong winning program for the club. Based on the review, staff recommends qualification as an athletic organization for the purpose of conducting gambling.

**Colleen Parke** introduced the Board. She said she became involved with this group in 1977 and a lot has changed. For seven or eight years, the bingo operation didn't work out very well, but it began to improve in the eighth year. She said they recently formed a partnership with Seattle Junior Hockey to build an ice arena, which she said is possibly the best in the country. The executive director left in December of 1993 and they chose not to replace him yet, although

she said they are aware of the importance of having someone in that position. They hired a consulting firm comprised of world and international figure skating professionals, who led them to their present director, Bernie Ford. Right now, they are working on expanding their program.

**Ms. Parke** said they have produced a brochure of their programs and is being mailed across the country to invite more kids into the skating program. They have 20-25 committees of volunteers who meet quite often to get the job done and bring suggestions back to the board. The newly-formed finance committee is working on getting a better handle on the bingo operation. The scholarship committee makes sure scholarships are given out fairly. They have session monitors who collect money from the skaters who come to take session. They disburse punch cards which are now used for skaters. Volunteers also judge skating events and don't even charge back their mileage, which under WSFSA rules they could do. Ballet classes were held in the ballet room last summer and will be held again. The sports therapy clinic, which has leased the weight room, is working on programs with them to make this affordable to the skaters. She said they are working on a process to better track the funds spent by skaters who go to competitions. There are only three competitions they reimburse for and these are called qualifying competitions; regional, sectional, and national, which advance the skaters to world class level.

VIDEO WAS SHOWN of skaters and coaches.  
((Commissioner Mosbarger disconnected at this time)).

**Ms. Parke** said some of the Commission's agents (Rick Swanson, Bill Kesel and Kristi Tellefson) came out to the rink and saw skaters. **Director Miller** said that our agents are there to verify what the agency is being told; the agency is very proud of this organization.

**Mr. Swanson** said staff recommends approval as an athletic organization. **Commissioner Graham** moved for recertification; **Commissioner Heavey** seconded the motion; motion carried with three aye votes.

#### **SPECIAL REPORT:**

##### **PUGET SOUND RUGBY EDUCATION FOUNDATION, Seattle**

**Ms. Norman-Cole** said this group was before the Commission in October in Leavenworth, and at that time they were granted temporary certification. During that meeting, the Commission voiced concern regarding a \$155,000 net loss for the year that was reviewed. There has been a change in the Board and they also have a new bingo manager. Of the seven quarters the organization has run a bingo game, they have not been in compliance with prize payout or net income compliance.

**Ben Allgood**, Executive Director, said the Board's president is also a doctor who could not be present because he is working at the Fred Hutchinson Cancer Research Center. He introduced Vince Schmidt, the organization's treasurer and secretary for the organization who is also CEO and principal financial officer of R.W. Smith and Associates and a CPA by training, **Launa Hoy** is the bingo manager and in the short time she's been working with them has won the hearts and minds of the new Board as well as the players. Nu Faala, is a world-class rugby player and is the number four body builder/weight lifter in the world for Natural Athletes Strength Association. He trains without any drug enhancement. He spent over 500 hours this year alone talking to children and high school students regarding not using drugs.

**Mr. Allgood** said certain members of the rugby community and representatives of Dick Smith

who is a major contributor to rugby discovered the bingo operation was in poor shape. They were in a long downward spiral in attendance and the relationship between the former bingo manager and staff was not good. In January 1995, he became involved as executive director. They needed a new board of directors and they now have three new members. They were directed by Patti Norman-Cole and Jacki Fischer, who were both extremely helpful. He said they have a problem with significant negative reaction in the community with the players as a result of the past-manager's behavior. He said in the last two weeks they have reconfigured the games, attendance is up 36 percent, and requested to be changed to a Class H game. Staff is going to recommend one step lower, but he disagrees with that because their approval rate is moving along well.

**Mr. Allgood** said they have more bookings and he feels they will increase. The snack bar problems were noted by the Commission staff a long time ago, and the snack bar has been reconfigured and is showing a profit. They are in the process of seeking a vendor who would provide a lease. The local retail and commercial neighbors are very pleased that their operation is there and is getting better. He said working with the Commission staff has been enlightening for him, and he has found high quality expertise in the people who have helped him with the bingo operation management, especially Ms. Norman-Cole and Ms. Fischer have been immensely helpful. He said outreach is a major part of their program; they have raised half a million dollars to fund many of these funds aside from the bingo. He said a team went to Bermuda and Mr. Smith paid for all food and lodging for the players.

**Chairman Tull** said he is pleased that there is positive news and that the group is taking some serious steps to improve.

**Director Miller** asked how long this organization is willing to keep losing money. **Mr. Allgood** said the President's Committee has met and he believes they will move into positive cash flow this month. The President's Committee is working toward total integration of all of the rugby activity in the Puget Sound area.

**Director Miller** said groups that lose a lot of money over a period of time have been suspended in the past. The Mountlake Terrace Lions Club was one such group. Now groups are downgraded to the level being performed. There are rules now that the Commission has to follow as a matter of law. **Mr. Allgood** asked if there was a mechanism for managing the process of the group exceeding the class "G" level. He believes they will exceed this in April or May. **Ms. Norman-Cole** said that staff is recommending downgrading two classes to a "G". **Mr. Bishop** said there was a rule passed that makes the downgrade automatic and there is no way to change that process unless they were to petition the Commission. He explained that, should they achieve the net return for the level above that for two consecutive quarters, they can ask for and receive above that level. Otherwise they have to come before the Commission and petition the Commission. The net return will be what Mr. Allgood needs to watch.

**Commissioner Heavey** asked what the relationship is between the Rugby Association and the bingo game. **Mr. Allgood** answered they were estranged brothers. The Board envisions a time when the bingo hall can also be used by the youth for activities other than bingo.

**Commissioner Heavey** noted the minutes from PSRA's meetings; it refers to West Seattle Bingo. **Mr. Bishop** said the point is that West Seattle Bingo is Puget Sound Rugby Education Foundation's bingo game. The business name for it is West Seattle Bingo. **Commissioner Heavey** asked if the Commission is going to see attention paid to this bingo game on an on-going basis. **Mr. Allgood** answered that he felt within six months they would know whether to continue or not.



**Commissioner Graham** moved for temporary recertification as an athletic organization for six months only. **Director Miller** said they would be downgraded to a Class "G"; **Commissioner Heavey** seconded the motion with emphasis that it be for six months only. **Chairman Tull** said the six months is with the understanding that the class change will take place pursuant to the rule. Vote taken; motion carried with three aye votes.

**Chairman Tull** said the scheduled Follow-up review and the Group II reviews will be heard tomorrow due to a time problem. He called for a short recess.

\*\*\*\*\* RECESS \*\*\*\*\*

**Petition for Review:**

**Preston, Michael**, Seattle  
CR 94-0064; Bingo Manager

((TO OBTAIN A TRANSCRIPT OF THIS PROCEEDING, CONTACT THE WSGC DIRECTOR'S OFFICE AT (306) 438-7640; THE DECISION AND ORDER WAS ANNOUNCE AT THE 3/10/95 MEETING))

**Chairman Tull** called for Executive Session and adjourned the public meeting.

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**MINUTES  
COMMISSION MEETING  
FRIDAY, MARCH 10, 1995**

**Chairman Tull** called the meeting to order at 10:10 a.m. at the Sheraton Hotel, Tacoma, Washington.

**MEMBERS PRESENT:**                      **ROBERT M. TULL, Chairman; PATRICK GRAHAM, and EDWARD HEAVEY.**

**OTHERS PRESENT:**                      **FRANK L. MILLER, Director; BEN BISHOP, Deputy Director; SHERRI WINSLOW, Assistant Director, Field Operations; SHARON TOLTON, Assistant Director, Special Operations; JONATHAN McCOY, Assistant Attorney General; CARRIE SUTHERLAND, Special Assistant, Public Affairs; PATRICIA NORMAN-COLE, Rules Coordinator; TINA GRIFFIN, Investigative Audit Unit; and SUSAN GREEN, Executive Assistant.**

**Chairman Tull** said the public portion of this meeting was convened a little late so that the commissioners could spend a few minutes working on an appeal. There are a few addenda to the published agenda, which were discussed yesterday; one is a proposed rule from staff regarding cost recovery in certain tax collection licensing matters, and one is a rule regarding a process for certain Phase II reviews in connection with Class III casinos that are operating through compacts with various Indian tribes throughout the state. He said there are a couple of reviews that had to be held over from yesterday; the Boys and Girls Club of King County and the Boys and Girls Club of Wallingford.

**Director Miller** requested an executive session today since there was not enough time yesterday. Discussion will include litigation and investigations.

**APPROVAL OF THE MINUTES FROM THE FEBRUARY 9-10, 1995, MEETINGS**

**Commissioner Graham** moved for acceptance of the minutes from the February 9-10, 1995, Commission meeting in Olympia, Washington, as set forth and printed in the agenda packet; **Commissioner Heavey** seconded the motion; motion carried.

**SPECIAL REPORT**

WSGC Meeting, Tacoma  
Friday, March 10, 1995

## **Central Area Youth Association, Seattle Special Scope Audit**

**Tina Griffin** gave a report on the special scope audit of CAYA. In March 1994, CAYA's Board of Directors contacted the Gambling Commission staff with many areas of concern they had regarding employees' misuse of the organization's assets. She said the audit, begun in April 1994, focused on these concerns. The findings of the audit are summarized in a report provided to the Commissioners, and the warning letter that was issued is also contained in that report. She said last month she went back to CAYA to see if the original findings had been corrected. With one exception, all violations have been materially resolved. The exception is a major area of concern; they have failed to develop a formal written internal control policy as required by WAC 230-12-078. She said it should be noted that the Board has made efforts to alleviate some of the related party conflicts. She introduced the Brenda Little, vice president of the Board.

**Brenda Little** said she is an attorney with Seattle School District and was previously with the Attorney General's Office where she represented three community colleges. She said anyone who has been in Washington state during the last year knows about their program. The main focus today is to answer some of the Gambling Commission's concerns and express some of the work they've done to alleviate the problems. At the time the CAYA Board approached the Gambling Commission, she was the treasurer and has a fair understanding of the internal controls and the financial outlook. She introduced the CAYA board members and staff present: Emory Bundy, who works for the Bullett Foundation, was the vice president at the time the Board approached the Gambling Commission and is now the treasurer-elect; Tony Ward-Smith, new chairman of the bingo commission, is a long-time board member who is also a small business owner; Mr. Brown, who has been on the CAYA Board for 25 years and recently retired from the Parks Department; Mr. Russell, who is the newest board member and works for the National Parks Department; and Mr. Little, a founding father of CAYA. **Ms. Little** introduced staff members, Mr. Lewis Clark, new executive director and Princeton graduate; Sandra Little-Berthe', deputy director; Gracie Miller, bingo manager, who was with the bingo operation when it was on the corner of 23rd and Union (she said the bingo game has improved financially under Ms. Miller's direction) and Shannon Hunter, assistant bingo manager.

**Ms. Little** said CAYA was founded 30 years ago with the primary purpose of helping to form the minds, bodies, and intellects of inner-city kids. She said they are especially proud of their tutoring program and they are closely aligned with the Seattle School District. They interface in terms of students, records and systems in identifying those students who really need help. The pivotal program is their sports program; she said she ran track and her brothers were also involved in the basketball program. They have the basic sports for guys, and they are trying to expand the sports program to include women. They hope to have women's soft ball and track. There is a cultural arts program, a teen parent program to keep the mothers in school and teach them parenting skills, and the Inner City Outings program that involves taking kids out to the wilderness. CAYA is a community-run organization with volunteer and board members who put in a lot of time, effort and care into the programs. She said they have been working vigorously

with the Gambling Commission to change some of their past practices so they can come up to the 21st century. She said when Sandra Little-Berthe' first came to CAYA, they didn't have a computer or an accounting system. Now, more of the Board members have college degrees and know more about business standards. They are updating accounting procedures. She said that Director Miller has informed her that staff is recommending a provisional license, which is fine with CAYA. She introduced Tony Ward-Smith to help answer any questions of the Commission.

**Director Miller** said that the Gambling Commission appreciates the cooperation of CAYA and said this has been a long-term situation. The Commission staff has not had problems with CAYA's programs; the problems were with its bingo operation. The fundamental principles and objectives of the organization have always been truly beneficial to the community. They have made great strides in the bingo operation. The investigation resulted in a life-time ban of the former bingo manager from bingo in this state, a one-year revocation of the assistant bingo manager and a six-month suspension of another bingo manager who was also the executive director. The initial review found there were also some short-comings in the oversight by the Board and too much authority given to the executive director position. Since there was a commitment to change, the organization received a warning letter instead of penalizing the program. The follow-up review found compliance with virtually all of the concerns except for internal controls, which are quite important and is the reason Commission staff is recommending temporary certification. The internal controls are required to be submitted to the Commission in a timely fashion. Upon review and successful implementation of those internal controls, staff will come before the Commission to resolve the issue. **Mr. Bishop** said not only internal accounting controls, but also a management control system that internal accounting controls would be a part of.

**Commissioner Heavey** said his questions should not be viewed as hostile, but in the current political climate, those who provide services to the disadvantaged are being placed under a microscope; things that are acceptable in other activities of life are totally unacceptable within the operations of those that provide services for the disadvantaged. The Commission has a responsibility to be sure this organization is above reproach, even if that standard is unfair. He asked about the trip to Las Vegas, which was under particular scrutiny by the hearing examiner, and said that some of the same people who took the trip are in positions of great control now. He questioned the wisdom of placing individuals who came under particular criticism by the hearing examiner in the same role where they are in a position of approving expenditures, which is where that same type of misconduct could take place. He asked how he, as an individual commissioner, can be assured that those individuals are not going to engage in that same lax bookkeeping and same lax attitude that was the problem leading to the substantial criticism of an organization that has provided 30 years of outstanding service to the community. He said it would be very inappropriate that the programs could be hindered because of not responding to this criticism. It does not appear to him that CAYA has overreacted to the extent that it should have in light of the criticism and the fact that it is now being placed under a microscope.

**Mr. Ward-Smith** asked Commissioner Heavey whether he is asking about policies and programs or about specific individuals and a particular instance where a trip was taken by staff

and management. **Commissioner Heavey** said he is not concerned about the trip; he is concerned about the people who are still with the organization and who were also present on that trip. **Mr. Ward-Smith** said some of the people organized that trip and eagerly went on the trip, and then some were asked to go along because of their responsibilities to the agency and to the bingo operation. The Board sorted the particulars of that situation and figured out what was right and what was wrong and got rid of the wrong and kept the right. The person who went on the trip is still an important person in the organization, and they strongly defend that person's abilities, performance, and ethical behaviors. That person was crucial in the organization coming to terms with the problems they had and in helping solve those problems, and is now helping to develop and manage the ongoing system of management solutions. With very good reason, he said they are willing and eager to count on that person.

**Chairman Tull** asked if, on that particular trip, the person was part of the problem or whether she prevented the problem. **Mr. Ward-Smith** said she did go along on the trip but made no decisions about the trip other than she was asked to go. **Chairman Tull** said the problem is not with the trip; the Commission understands the value conferences can provide. He said apparently no one on that trip found it necessary to question whether the group needed to be gone that long or if they needed to be doing the things they did. The absence of control is the essence of the problem. He said this group is not the first to come under scrutiny. He said it's unfortunate that a criminal activity was involved and he knows it has hurt CAYA in lots of ways. It hurts the cause of charitable fund raising throughout the state, which is the Commission's big concern right now. He concurred with Commissioner Heavey that it is less than clear that this issue has been addressed. **Ms. Little** said it is difficult to talk about the specific issue without talking about past practice. CAYA had past practices that would not pass the "sniff" test. When she came on the Board four years ago, she was appalled at the past practices, but it was difficult for the long-timers to hear from the new board members that their practices may not pass muster. The trip was taken annually for years and was never questioned. The Las Vegas trip is symbolic of Director Miller's concerns. The internal controls by the Board were so lax in the past that it allowed four people to go on a trip and charge alcohol to their rooms and use agency money for kids to go see the Cirque de Soleil.

**Ms. Little** said she was told when she was hired that this Las Vegas trip was a mandatory trip that the Gambling Commission told them to go on. When they came to Director Miller, he explained that wasn't true. She said she isn't disagreeing with the provisional license, because the Las Vegas trip symbolizes where they were, but looking at where they are now, she said no one will ever go to Las Vegas on CAYA's dime. Now every trip is scrutinized and all invoices are looked at. They are putting internal controls in place and taking responsibility for their actions. **Chairman Tull** asked if there has been any attempt to gain reimbursement for the expenses from the trip; **Ms. Little** said they have been taken for amounts of money here and there, and last month the Board authorized expenditures for general counsel, which will help them get reimbursement.

**Commissioner Heavey** said he doesn't see anything reflecting that they're tightening up to the degree that they ought to. He'd like to see evidence of overreacting, such as developing a code of conduct to address these particular issues. He said he is not interested in removing

someone from a position; his concern is that this person took the trip and is still in the position they held at the time. He noted problems are still occurring with the accounting system, although to a much lesser degree. There are four or five instances out of 13 that indicate there is a lack of monetary control. Besides the code of conduct, they also need to make sure the financial controls are really tight so they won't face the problem of a very valuable organization coming under undue criticism. **Ms. Little** said she often tells the Board, in terms of the members personally, they were shielded, but if anything else happens, they won't be able to blame it on an over-zealous executive director or anyone but the Board. She's slowly and surely pushing for internal controls being put into place. **Commissioner Heavey** congratulated CAYA on 30 years of valuable service to the entire community and said service to their community is service to all.

**Mr. Ward-Smith** said the response to the problems has turned around the organization dramatically and the Board has become totally involved with the organization, including the bingo side, in a way that they weren't before. There is a new executive director and a new relationship between the Board and the executive director with new approaches and practices coming out of these relationships. They have outside auditors and CPA firms working for them. They have taken the everyday management of the financial affairs in-house full-time instead of on a part-time basis. When they look over the guidelines they were given to improve the bingo operation, the same guidelines apply to them in the overall and they have acted on them in that broader sense. He said although the organization has been in existence for 30 years, the bingo operation is only ten years old. He said he suggested shutting down the bingo operation when he came on the Board in 1988, but instead the Board changed it and opened the Aurora Bingo operation. He said the agency had a budget of \$200,000, at that time, to run youth programs and only ten percent came from bingo. Now agency has a budget of \$1.5 million for the programs they run and 52 percent of the program money comes from the bingo operation. They are optimistic because of everything they've been through and see these things as making them better performers.

**Commissioner Heavey** asked if the executive director plays any role in recruiting new board members; **Ms. Little** said there are two positions he can nominate people for, but it is completely up to the Board as to who can serve on the Board. She said Mr. Clark thought the Board was too saturated with community activist/volunteer types who didn't have expertise in running businesses.

**Commissioner Heavey** said he was involved in an organization where the founder dominated the Board and the organization was hers and not independent. When he became involved on the Board he was recruited by her, but they changed to where she had no right to recruit members for the Board because she was dominating the Board, which is his concern about CAYA. He said that under Gambling Commission rules, the Board must be independent. The executive director cannot play a principle role in the selection of the Board, because then it may be just a matter of time before they get into the same position to where the Board is dominated by the executive director instead of being independent. **Ms. Little** said that the experience with Mr. Preston was so unpleasant that now her greatest fear is that they may not be letting the executive director breathe. The executive director now has less power and less authority than

Mr. Preston, did, and at this point in time, the Board is more comfortable with the arrangement.

**Chairman Tull** said that during the ten years he's served on the Commission, he's had his eyes opened to a number of things and has become increasingly committed to the idea that the history being reviewed shows there is an opportunity for disaster and the Commission has seen these situations result in disaster before. The Commission has made steady progress toward institutionalizing the types of controls that have always been known about but only occasionally implemented.. The signal Chairman Tull wanted to send to CAYA is that they came very close to no longer being a bingo licensee in this state had CAYA not impressed the Commission staff with its willingness to take massive and immediate corrective measures. He said the message has to go out to other licensees that this may have been the last warning to the bingo community in the state of Washington. That doesn't mean the Commission won't assist organizations that are in trouble. He said the only people who embezzle money from an organization are people who are trusted with the money.

**Commissioner Heavey** moved that the qualification be continued on a temporary basis for six months. **Commissioner Graham** seconded the motion. **Chairman Tull** said he is a little disturbed that it has taken as many months as it has to clear up all of the problems but the size of the organization is a factor. He thanked CAYA for the cooperation shown. All in favor; motion carried with three aye votes for temporary qualification.

**Chairman Tull** thanked Tina Griffin for a very good report; it was very clear and the general quality was very good.

## **ADOPT OR AMEND RULES**

### **TREASURERS' PETITION**

Amendatory Section WAC 230-04-280 -- (~~Notification to law enforcement.~~) Licensees must notify law enforcement and local taxing authorities.

New Section WAC 230-04-405 -- Commission may seek reimbursement for costs incurred in pursuing license revocation for failure to pay gambling taxes.

Amendatory Section WAC 230-04-400 -- Denial, Suspension or Revocation of Licenses

Amendatory Section WAC 230-50-010 -- Adjudicated proceedings--Hearings

**Ms. Sutherland** said Item 3 is a petition by the Taxing Associations and there are three rules involved. This petition has been on the agenda for a number of months and Commission staff has worked with the Taxing Associations on the changes. One of the rules requires the licensee to notify the taxing authority when they receive a license or renewal. Another rule provides for the revocation of licenses for failure to pay taxes, and the third rule provides for the brief adjudicative proceeding procedure to be used in the revocation procedure. Also, the Commission discussed issues regarding to the cost to the agency and the Commission asked staff to bring forward a rule that might deal with that issue. She met with a number of the taxing authorities in February and created something that was felt all could agree on, which, is in the form of an addendum to the agenda and is up at this time for filing. It essentially states that when pursuit of taxes is begun, the Commission will attempt to get reimbursement for costs from the delinquent licensee out of a settlement. If the Commission is unable to get that

reimbursement, the taxing authority will reimburse the Commission. When a case is referred to the Commission, it will be agreed at that point to be responsible for the costs. **Commissioner Graham** said it says, "...The Commission may seek to be reimbursed." He asked why it doesn't say, "...The Commission will be reimbursed." **Ms. Sutherland** said the rule says first what the Commission will try to do is seek reimbursement from the licensee. If the Commission is unable to do that, then the Commission will seek reimbursement from the taxing authority.

**Commissioner Graham** said all through the rule it says the Commission will seek reimbursement. **Ms Sutherland** said it was the intent of the rule. The reference to "in part" was if, perhaps, the licensee had paid a portion of the Commission's costs and then defaulted, the Commission could seek the remainder of the costs from the taxing authority. **Commissioner Graham** said he didn't want the Commission to be in a position where if the taxing authority loses, the Commission loses too.

**Commissioner Heavey** said he has a problem with this approach because it provides that someone has the right to petition the Commission for revocation of a license based on actual or perceived violation of the law. He has a problem with conditional exercise of authority.

**Director Miller** said the intent was that if the county came forward for help, they would sign a contractual agreement that costs would be reimbursed. If that were not the case, the Commission probably wouldn't take on any more cases. **Chairman Tull** said Commissioner Heavey has a good point that could be remedied by adding language. **Director Miller** said the difficulty would be in anticipating the costs. The other thing would be if the Commission has to go through a hearing after the charges are filed, the costs would increase. The approach taken was more of recouping costs after the fact. **Commissioner Heavey** said the other way it could be done would be a filing fee which would be at the conclusion of the proceedings. He has a real concern about the rule saying the Commission will do something if the taxing authority does something. **Director Miller** said the Commission has not done this before; it is a service the Commission is providing for the counties. One of the dilemmas on this is that the Commission has always taken cases when the city has received a judgment. The Commission has always had the ability to assess a fine. What this rule does is give the Commission the ability to recover costs in the event the Commission is not able to from a licensed entity. He also said he isn't sure the cities can collect fines on the Commission's behalf. The cities have no licensing authority. **Chairman Tull** said this is a very complex issue.

**Director Miller** suggested that if the Commission cannot go forward with this today, that they may just vote no instead so the agenda can be relieved for next month. **Chairman Tull** said this should not be rushed. He asked if this new section could be filed and continue the other package. **Director Miller** asked if the concern is the procedure or the legality; **Commissioner Heavey** said his concern is legality and suggested that the language be amended to the first sentence be left as is and then the local taxing authority, "...shall reimburse the Commission for costs incurred." He said he has a problem with continuing this again and with the time the treasurers are having to spend coming to the meetings. **Director Miller** said the Commission does go after delinquent tax payers such as the case in King County. This would have been a good example that the Commission should have gotten some of the investigation monies back. The Commission does currently assist, it's just not done until the taxing authorities take the first step.



**Commissioner Heavey** seconded Chairman Tull's motion to file the proposed new section and to continue the rest of this section; vote taken, motion carried with three aye votes.

#### **LICENSING OF GAMBLING MANAGERS**

**Amendatory Section WAC 230-02-240 -- Commercial gambling manager defined.**

**Amendatory Section WAC 230-02-418 -- ~~((Bingo))~~ Charitable or nonprofit gambling manager defined.**

**Amendatory Section WAC 230-04-145 -- Licensing of charitable or nonprofit gambling managers ~~((of bingo games))~~ -- Application procedures.**

**Amendatory Section WAC 230-04-147 -- Notification to the commission upon beginning, terminating, or changing responsibilities ~~((as bingo game))~~ of charitable or nonprofit gambling managers.**

**New Section WAC 230-12-079 -- Duties and responsibilities of charitable or nonprofit gambling manager.**

**Amendatory Section WAC 230-30-070 -- Regulation of manager, operators, and other employees -- Charitable or nonprofit organizations.**

**Ms. Sutherland** said these are rule changes up for possible final action today. They provide for the licensing of executive directors or those people with the highest level of authority over the gambling activity and the funds earned and disbursed. Staff recommends final adoption.

**Chairman Tull** said this is an opportunity for public testimony and asked if anyone wished to be heard.

**Jim Williams** said he is confused about the license for the charitable nonprofit organizations. He said the rule states that a charitable or nonprofit manager is one who oversees any gambling activity. He said he doesn't see an exemption for any license classes. He said organizations holding raffles would be required to obtain permission. **Director Miller** said the purpose is to define what a gambling manager is and what the duties and responsibilities are for of that position. Someone should be responsible for the gambling operation.

**Mr. Williams** asked how he gains the Commission's permission if he wants to manage a raffle.

**Mr. Bishop** said the same way that it is currently done. On the application to run that activity it requires the name of the manager and certain information for the background to be done on this person. This is part of the license approval process currently for the activity. There is a separate license for higher level activity for those people. The rule summary should have said this affects all licenses in this particular case. **Director Miller** said there is a packet put out by the Commission for the licensees. He said Mr. Williams has raised a very valid point. The Commission doesn't know all the unlicensed activities out there and yet the licensees are still required to maintain certain records under state law. The intent was not to burden the small operations and he thinks the language works.

**Mr. Bishop** said that in the preamble, "each charitable," etc., etc., "licensed to conduct gambling activities shall designate..." It does not apply to unlicensed activities.

**Chairman Tull** said the syntax in 145 is still unclear. He said the responses were helpful. "Managers responsible for the following functions shall be licensed." Then it lists a primary manager. He asked if "Manager" is a person or a function. They discussed clarifications and the solution discussed was to remove the word "function" and say "the following gambling managers." **Director Miller** suggested "primary" manager be taken out and to say "for class D and above bingo games." He asked Mr. Bishop if this would work. **Mr. Bishop** said yes.

**Commissioner Heavey** suggested saying "the following individuals of charitable or nonprofit organizations shall be designated as gambling managers and shall be licensed by the Commission." **Mr. Bishop** said he thought that would work and could certainly see what the Commissioners were talking about.

**Chairman Tull** said this should be readable and understandable by the licensee community. He continued this rule until the April meeting.

#### **COMMERCIAL STIMULANT RULES**

**Amendatory Section WAC 230-02-350, Commercial stimulant defined.**

**Amendatory Section WAC 230-02-360, Licensed premises defined.**

**Amendatory Section WAC 230-02-370, Food and/or drink business defined**

**Amendatory Section WAC 230-02-380, Established business defined.**

**Amendatory Section WAC 230-04-080, Certain activities to be operated as a commercial stimulant only--Licensing of food and/or drink businesses.**

**Amendatory Section WAC 230-08-130, Quarterly activity reports by operators of social and public card rooms**

**Repealer WAC 230-02-125, Adjusted net gambling receipts**

**Repealer WAC 230-12-075, Commercial stimulant compliance**

**Ms. Sutherland** said this is a group of rules that amend the commercial stimulant rules to comply with a 1994 Legislative change to RCW 9.46.0217. These have been discussed with licensees and essentially take the Commission's staff time away from measuring the food and drink sales against the gambling activity and allow staff to focus on other priorities. The primary concern of the Commission is simply whether a business is engaged in the sale of food and drink for on-premise consumption. This is up for possible final action today. **Director Miller** said the term now is "established business." This will be the test in the future, ensuring it's a legitimate, established business. **Commissioner Graham** moved to accept the rules in section five. **Commissioner Heavey** seconded the motion, motion carried with three aye votes.

**Chairman Tull** said this is effective July 1 1995.

#### **RAFFLE RULES**

**Amendatory Section WAC 230-02-183, Active member defined**

**Amendatory Section WAC 230-08-070, Raffle records**

**Amendatory Section WAC 230-12-040, No firearms as prizes--Exceptions**

**Amendatory Section WAC 230-20-300, Control of raffle prizes**

**Amendatory Section WAC 230-20-325, Manner of conducting a raffle**

## **New Section, WAC 230-20-335, Raffle conducted among members of an organization-- Procedures--Restrictions**

**Ms. Sutherland** said Item 6 A-F is also a package up for final action. These raffle rules have been proposed by staff in conjunction with a number of organizations that hold raffle licenses. This package essentially simplifies the record keeping requirements for raffles. There is an addendum to item 6 B in the handout packet and the change sets forth (on the second page of the rule) more details that must be provided to the Commission in a request to maintain the records in alternative location. Staff recommends final adoption of this package with the amendment.

**Kevin Crum** spoke on behalf of the Washington Charitable and Civic Gaming Association. He said the Association knows that currently the raffle ticket price is limited to \$5. They understand there is legislation that could change this and they have a concern regarding the age of the ticket sellers for raffle tickets with a value of \$5 or more. The Association would like these limited to persons 18 years of age and older. The concern is for the youth and the larger cash handling. **Chairman Tull** said that the rule currently says 18 years of age. The director must grant a waiver for ticket sellers under 18. **Director Miller** said the state has had youth selling raffle tickets for years. Youth cannot be involved in the management operation but youth do sell raffle tickets. The Commission has not had many complaints on this.

**Chairman Tull** asked what the statute says now about selling raffle tickets. **Director Miller** said that it doesn't. **Mr. Bishop** said it is only under the section on coin flipping or dice rolling that says they shall be 18 years old. **Chairman Tull** stated the Commission's current rule defines an active member using an 18 year old proviso. **Director Miller** said that these rules encompass years of experiences. The issue of who can sell could be a separate issue in the future.

**Director Miller** said the wildlife organizations that have worked with the Commission would like to see higher limits, and quite a few people are promoting raising the limit from five dollars. Right now, a book of 20 tickets is sold for \$5 each. The law requires a patron to buy one ticket only. The concern is, when the wager goes up, there is a danger to youth, because they will have to handle larger sums of money.

**Rance Block**, field director for the Rocky Mountain Elks, said he wants to be sure the issues of the rule changes they have been working with the Commission on are separate from the house bill and are handled separately. He said he appreciates the support of Commission staff in working out these rules.

**Mr. Williams** thanked Deputy Director Bishop for recognizing that members-only raffles need to be changed and for putting together those changes. In the future, he suggests the Commission look at some recordkeeping changes. He also suggested some new rules, i.e., that these raffles are only open for the attendees at that night's session, the raffles are a, "must be present to win," the raffle tickets are not available until the individual gets through the door that evening, the attendees in most cases deposit their raffle tickets for the prize they want to attain, the

winning tickets are drawn in front of all attendees, the winning tickets are verified in front of all attendees, and the attendees then see the individual who wins that prize.

**Commissioner Heavey** moved to adopt 6A-F; **Commissioner Graham** seconded the motion; motion carried with three aye votes.

### **HOUSEKEEPING CHANGES**

**Amendatory Section WAC 230-02-010** -- Washington state gambling commission -- Purpose and organization.

**Ms. Sutherland** said Item 7 is a housekeeping change up for final action and it just represents the current number of assistant directors on staff at the Gambling Commission. Staff recommends final adoption.

**Commissioner Graham** moved to adopt, **Commissioner Heavey** seconded the motion; motion carried.

**Amendatory Section WAC 230-20-130** -- Operation of bingo upon retail business -- Conditions

**Amendatory Section WAC 230-20-620** -- Amusement games -- Objects to be thrown to be uniform -- similar games not to use difference object unless designated

**Ms. Sutherland** said Item 8 A and B are simply housekeeping changes to correct typographical errors and they are up for further discussion.

### **CARD ROOM PETITION**

**Amendatory Section -- WAC 230-40-400** - Hours limited for card games

**Ms. Sutherland** stated that Item 9 was brought forward to the Commission last month as a petition by the Recreational Gaming Association and the Commission filed it as an emergency rule, which made it effective upon filing. The rule allows card rooms to change their closure period from between 2:00 a.m. and 6:00 a.m. to 4:00 and 8:00 a.m. if the director approves this and local law enforcement has no objection. Staff recommends further discussion. This will be on the agenda this month and next month. **Mr. Bishop** said 31 card rooms requested using these new hours of the 113 total licensed card rooms. On February 28, 1995, the Commission mailed letters with a copy of the new rule to all of the sheriffs and police chiefs in Washington State. The letters included the licensed card rooms within their jurisdictions and asked them to comment whether these businesses had their approval to go forward with these hours. As of this morning, five responses were received from law enforcement; four were opposed, and one said they would not approve two particular card rooms. The criteria for allowing the change in hours would be primarily law enforcement input, Gambling Commission staff input, and any input the Commission might receive from other state or local authorities.

**Commissioner Heavey** said it says "...No objection is raised by a local enforcement entity." He asked if that means King County can object to a card room in another city being open until 4:00

a.m. **Director Miller** said the intent was to notify law enforcement in the area of the card room. **Commissioner Heavey** suggested changing the wording to "...local law enforcement entity having jurisdiction." **Chairman Tull** asked what that would mean if the prosecuting attorney had objections. **Director Miller** noted that the prosecuting attorneys were not contacted. **Mr. Bishop** said he felt Commissioner Heavey's suggestion would cover it. **Director Miller** said that it was the intent of the Commission to mirror this after the tribal gaming situation because that was the argument for extending the hours.

**Rick Davis**, Charlie Macks and the 21 Club, asked how many letters were mailed; **Mr. Bishop** said of the 113 card rooms, every law enforcement agency that had a card room in their jurisdiction was contacted; either the chief of police or the sheriff. **Mr. Davis** said he thought that four negative responses was not much. **Mr. Bishop** said that the letter stated if the Commission did not hear from the law enforcement entities, the Commission would assume they had no objections. **Director Miller** added the Commission planned to give conditional permission in writing, commencing next week. **Chairman Tull** asked about the procedural effects of the emergency rule. **Director Miller** said approval is to be granted with the discretion of the director.

**Ms. Tolton** said there may be additional costs for her division to monitor the hour changes. She has also been questioned by some law enforcement people; i.e., should the sheriff or chief of police change their position, could these people write to the Commission regarding their concerns and position. **Director Miller** said yes to both questions. **Commissioner Heavey** moved to amend this rule to say, "that has primary jurisdiction." **Chairman Tull** said it could be spelled out to say "local law enforcement entity," and it is an issue that should be addressed by staff. Motion denied due to no second. **George Teeny** asked about the question of the enforcement agents being concerned regarding two of the card rooms in the town. **Chairman Tull** said that question could be taken up with staff.

#### **HOUSEKEEPING CHANGES**

**Amendatory Section WAC 230-04-075 - No license required for certain bingo, raffles, and amusement games.**

**Amendatory Section WAC 230-20-090 - Limits on compensation paid to members or employees.**

**Amendatory Section WAC 230-20-170 - Bingo operation date limitations**

**Amendatory Section WAC 230-20-190 - Bingo card prices**

**Amendatory Section WAC 230-20-220 - Operators shall not play**

**Amendatory Section WAC 230-25-070 - Fund raising events--Central accounting system required**

**Amendatory Section WAC 230-20-630 - Amusement games--Fees, rules, prizes and variations in objects to be posted--Fees to be paid in cash or scrip((¢))--Prizes not to differ from those posted**

**Amendatory Section WAC 230-25-055 - Use of chips, scrip((¢)) or similar items at fund raising event**

**Amendatory Section WAC 230-25-330 - Recreational gaming activity--Rules for play**

## **Amendatory Section WAC 230-46-010 - Purpose**

**Ms. Sutherland** said rules under Item 10 are up for discussion and possible filing.

**Commissioner Heavey** moved for filing; **Commissioner Graham** seconded the motion; motion carried with three aye votes.

## **LICENSING OF MANUFACTURERS/SALES PERMITS**

**Amendatory Section WAC 230-04-110 - Licensing of Manufacturers**

**New Section WAC 230-04-115 - Licensing of manufacturers--Exceptions--Special sales permit**

**Amendatory Section WAC 230-04-203 - Fee--Commercial stimulant and other business organizations**

**Ms. Sutherland** said Item 11 A-C is a rules package proposed by staff. This package allows the director to grant a special sales permit that would allow manufacturers to sell to a distributor gambling equipment on a limited basis. The justification for this is when demand for equipment is relatively low and it is not economically feasible for the licensee or applicant to go through the process, or if the licensing process is really not necessary for the protection of the public. Staff recommends emergency filing of this package.

**Commissioner Heavey** moved for filing and adoption as an emergency; **Commissioner Graham** seconded the motion; motion carried.

## **ADDENDUM**

**WAC 230-48-010 Tribal-state compacts--Phase II commission review**

**Chairman Tull** said that WAC 230-48-010 is a new section proposed by Staff. This rule provides tribal casinos a mechanism to increase wagering limits, wagering stations and hours of operation through a Phase II investigative review and Commission approval process. This rule was referred to yesterday and is available to everyone this morning. **Ms. Sutherland** said the Commission has created a new section of WACs and this is the first of hopefully many WACs pertaining to tribal gaming. **Chairman Tull** said he has had numerous conversations with the director regarding the implementation of the more recent compact amendments and it was his recommendation that a process be identified and be approved by the Commission. His suggestion would ultimately approve Phase II review. He also noted there are a number who are eligible for consideration for going to Phase II. He said there are copies of the check list in the commissioner's packets.

**Commissioner Heavey** moved for adoption as an emergency rule with ongoing rule discussion; **Commissioner Graham** seconded the motion; motion carried with three aye votes. **Chairman Tull** said that a separate chapter is a good idea and more things will come up over time.

## **UNFINISHED BUSINESS**

### **QUALIFICATION REVIEWS**

**FOLLOW-UP REVIEW:**  
**BOYS AND GIRLS CLUBS OF TACOMA PIERCE COUNTY**

**Ms. Norman-Cole** said Boys and Girls Clubs of Tacoma Pierce County came before the Commission in January and at that time a review regarding their structure was requested. The staff has concluded that only the administrative group can conduct gambling. There are several other groups that are listed in the packet but under the this organization's present structure, only the primary organization can operate gambling. **Mr. Bishop** gave a brief overview of the previous structure of this organization and said in 1992 they changed their organization. Under the by-laws the members elect the officers. He said they will only be allowed one bingo game and two fund raising events. Staff has discussed this with them and they are aware of the new limitations. Qualification was temporary in January and recommendation by staff is to certify this group.

**Commissioner Heavey** moved for qualification; **Commissioner Graham** seconded the motion. Vote taken, motion carried with three aye votes.

**GROUP II's**  
**BOYS AND GIRLS CLUB OF KING COUNTY, Seattle**

**Ms. Norman-Cole** said an analysis was done of Boys and Girls Club of King County and Boys and Girls Club of Wallingford because it was thought they were linked. However, it was found that these two organizations are separate.

Boys and Girls Club of King County is located in Seattle and is classified as a charitable organization. They are licensed for class "I" bingo and class "H" punchboard and pull tabs. The organization was first formed in 1943 and currently has 70 voting members. Program services have increased approximately six percent in providing programs to the youth of King County. Total number clients served was 14,100. Net gambling revenue totaled \$244,387; bingo net income was \$198,234. This organization spent \$3,939,834 in support of its stated purposes. Staff recommends qualification as a charitable organization for the purposes of conducting gambling in the state of Washington.

**BOYS AND GIRLS CLUB OF WALLINGFORD, Seattle**

**Ms. Norman-Cole** said Boys and Girls Club of Wallingford is also located in Seattle and is classified as a charitable organization as well. They are licensed for class "H" bingo and class "F" punchboard and pull tabs. This organization was first formed in 1948 and currently has 24 voting members. The organization maintains a full time administrative office in Seattle and also operates child care programs at various locations within the city. Clients served were: 1,100 boys and girls. Sponsorships totaled \$13,119, net gambling revenues were \$155,274, and bingo net income was \$125,765. This organization spent a total of \$367,863 in support of its stated purposes. The organization was able to expand its child care facility by adding another building in Lake City, which has enabled them to serve 16 more children each day at this day care facility. Staff recommends qualification as a charitable organization for purposes of conducting gambling in the state of Washington.

**Commissioner Graham** moved for qualification of both organizations; **Commissioner Heavey** seconded the motion, motion carried with three aye votes.

### **COMMENTS OF PUBLIC OR PUBLIC OFFICIALS**

**Anthony Passanate, Assistant Manager, Lakewood City Bingo**, said his union was in the forefront in 1972 of getting gambling legalized in the state of Washington. He is appealing on his own behalf to the intent of gambling in the state and that it was intended for nonprofit. He asked the Commission to explore lowering the taxes on pull tabs to help the smaller bingo halls that may go out of business due to all the taxing on gambling.

**Chairman Tull** said it would be nice to receive the specific views of those who say the statutes of the state can be altered by the Commission, because the Commission is not aware of any option it has to lower taxes. **Mr. Passante** said he has worked with Commission staff and they have been nice to work with. **Chairman Tull** said the charities should get a hold of their legislators in every district throughout the state. **Director Miller** said Chairman Tull wrote a letter on behalf of the Commission to support a reduction in taxes. **Chairman Tull** said the meeting is adjourned and called for executive session. He asked Mr. McCoy whether the Commission can make a decision on the appeal and send out notification; **Mr. McCoy** said the decision must be announced in public session.

**Chairman Tull** said the Commission will convene in Executive Session after recessing for a few minutes. **Director Miller** said the executive session would be brief. **Chairman Tull** stated anyone wishing to hear the outcome of the appeal should wait.

\*\*\*\*\*RECESS\*\*\*\*\*

**Chairman Tull** reconvened the meeting after executive session. Regarding the Case Number 94-0064, he said he would summarize the first two parts, which were basically that the Commission adopted the Findings and Conclusions of Administrative Law Judge Heller. The Commission did reach a somewhat different final decision and order regarding sanction. He read, "It is clear from the record that Mr. Preston was both aware of and condoned misconduct of staff members under his direct supervision and control and personally participated in a pattern of misconduct which resulted in substantial inurements of CAYA gambling funds to his and his staff's benefit. Such behavior cannot be tolerated of a Gambling Commission licensee. Now, therefore, in accordance with the recommendation of the initial order, the license of Michael R. Preston is hereby suspended for a period of six months; the Commission notes that as a result of the application of WAC 230-04-145, paragraph 2(c), Mr. Preston's license has already expired by operation of law. No credit is therefore appropriate for the period of voluntary suspension already served as a result of Mr. Preston's surrender of his license prior to the hearing of this matter. In order to give affect to this order, Mr. Preston is deemed ineligible for licensing from the Commission for a period of six months from the entry of this order. Following this period of ineligibility, Mr. Preston may again seek licensure but is still required to demonstrate his qualification for licensure in accordance with RCW 9.46 and WAC 230-04-400. Dated this 10th day of March" and it bears the signatures of the three Commissioners present.



**Chairman Tull** said he was aware of no other business before the Commission this morning, meeting is adjourned.

Note: These printed minutes plus the tapes constitute the full minutes.

Susan D. Green  
Executive Assistant